

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-02 H-02 PA-01 PRS-01 /092 W

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R 201030Z MAY 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1175

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONGEN MILAN

AMCONGEN NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OEDC PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

1. SUMMARY. (ALL FIGURES SHOWN BELOW ARE IN MILLIONS
OF DOLLARS UNLESS OTHERWISE STATED.) PRELIMINARY DATA FOR
MONTH OF APRIL SHOW RECORDED BALANCE OF PAYMENTS DEFICIT OF
\$60. ADJUSTING BALANCE FOR REPAYMENT OF EUROMARKET

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COMPENSATORY BANS, THERE WAS SURPLUS OF \$190. NET EXCHANGE
MARKET INTERVENTION AMOUNTED TO \$514. CUMULATIVE RECORDED

DEFICIT FOR FIRST FOUR MONTHS WAS \$211, WHILE ADJUSTED
BALANCE WAS IN SURPLUS BY \$139. END SUMMARY.

2. PRELIMINARY APRIL BALANCE OF PAYMENTS WAS IN DEFICIT BY
\$60, FINANCED AS FOLLOWS: INCREASE IN OFFICIAL CONVERTIBLE
CURRENCY HOLDINGS OF \$167; DECREASE IN SDR'S OF \$1; DECREASE
IN OFFICIAL SHORT-TERM LIABILITIES OF \$17; AND DECLINE IN
MEDIUM- AND LONG-TERM OFFICIAL LIABILITIES OF \$27. NET
FOREIGN LIABILITIES OF COMMERCIAL BANKS INCREASED BY \$270.
NET EXCHANGE MARKET INTERVENTION DURING APRIL WAS POSITIVE
BY \$514; INTEREST PAYMENTS ON OFFICIAL DEBT WERE \$81. MAJOR
EXTRAORDINARY TRANSACTIONS DURING MONTH WERE TWO REPAYMENTS
TOTTALLING \$250 ON 1972 IMI EUROCREDIT. ADJUSTING RECORDED
APRIL DEFICIT OF \$60 BY ADVANCE REPAYMENT OF \$250 ON IMI
EUROCREDIT GIVES ADJUSTED BALANCE OF SURPLUS OF \$190 FOR
MONTH OF APRIL. (THIS IS SAME METHOD OF ADJUSTMENT USED
BY EMBASSY WHEN COMPENSATORY EUROCREDITS WERE ORIGINALLY
RECEIVED, I.E., SUCH LOANS WERE NOT CONSIDERED AS AUTONOMOUS
CAPITAL INFLOWS BUT AS MONETARY MOVEMENTS INSTIGATED BY
CENTRAL MONETARY AUTHORITIES.)

3. DURING FIRST FOUR MONTHS OF 1975 RECORDED DEFICIT WAS \$211
FINANCED AS FOLLOWS: DECLINE IN OFFICIAL CONVERTIBLE CURRENCY
HOLDINGS OF \$35; DROP IN SDR HOLDINGS OF \$19; DECLINE IN SHORT-
TERM OFFICIAL LIABILITIES OF \$25; DECLINE IN MEDIUM- AND LONG-
TERM OFFICIAL LIABILITIES OF \$109; AND RISE IN NET FOREIGN
LIABILITIES OF COMMERCIAL BANKS OF \$291. ADJUSTED BALANCE
OF PAYMENTS FOR ENTIRE FOUR-MONTH PERIOD, TAKING INTO ACCOUNT
\$350 REPAYMENTS ON IMI COMPENSATORY EUROCREDITS, WAS SURPLUS
OF \$139.

4. FOLLOWING TABLE IS LATEST REVISION OF BREAKDOWN OF
ITALIAN BALANCE OF PAYMENTS IN FIRST QUARTER 1975 ON ADJUSTED
PAYMENTS BASIS, I.E., INCLUDING CUSTOMS DATA FOR TRADE
FIGURES WITH IMPORTS ROUGHLY REDUCED FROM C.I.F. TO F.O.B.
BASIS (EMBASSY IS NOW USING 7 PERCENT ADJUSTMENT BETWEEN
C.I.F. AND F.O.B. DATA FOR IMPORTS). NOTE THAT, UNLIKE TABLE
IN PREVIOUS REPORT (ROME 6620), BALANCE FOR QUARTER IS
ADJUSTED TO TRANSFER \$100 IMI REPAYMENT IN MARCH FROM
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CAPITAL ACCOUNT TO MONETARY MOVEMENTS.

| | | |
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| 5. BALANCE OF PAYMENTS, FIRST QUARTER 1975 | | |
| TRADE BALANCE | -318 | |
| OIL | (-1,602) | |
| NON-OIL | (1,284) | |
| SERVICES | -326 | |
| CURRENT ACCOUNT | -644 | |
| CAPITAL ACCOUNT (EXCL. EUROMARKET) | | 706 |
| ADJUSTMENTS | -124 | |

DEFICIT

-62

6. ON MAY 19 FOLLOWING FINANCIAL RATES PREVAILED: SPOT LIRA/DOLLAR EXCHANGE RATE WAS 627.45 LIRE PER DOLLAR. THREE-MONTH LIRA/DOLLAR FORWARD RATE WAS 634.70 LIRE PER DOLLAR. MILAN BLACK MARKET RATE WAS 630 LIRE PER DOLLAR. WEIGHTED AVERAGE DEVALUATION OF LIRA, ACCORDING TO BOI INDEX, WAS 20.79 PERCENT. INTER-BANK INTEREST RATE FOR 48-HOUR AND FOR 3-MONTH MONEY, RESPECTIVELY, WAS 9.875 PERCENT AND 10.3125 PERCENT. EUROLIRA INTEREST RATE FOR 3-MONTH MONEY WAS 10.50 PERCENT. VOLPE

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